

CITY OF EDGEWOOD

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

**FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Accountant's Examination Report	4-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	B 8
Tax Increment Financing	C 9
Separately Maintained Records	D 9

CITY OF EDGEWOOD

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Stone	Mayor	Jan. 2014
Bruce Hemann	Mayor Pro tem	Jan. 2014
Steve Lange	Council Member	Jan. 2014
Frank Riester	Council Member	Jan. 2014
Brad Perrinjaquet	Council Member	Jan. 2016
Jill Hemann	Council Member	Jan. 2016
Cindy Vorwald	Clerk/Treasurer	Indefinite
William Blum	Attorney	Resigned Sept. 10, 2012
Steven McCorkindale	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Edgewood pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Edgewood for the period July 1, 2012 through June 30, 2013. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related procedures and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended Chart of Accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Edgewood, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Edgewood, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Edgewood and other parties to whom the City of Edgewood may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Edgewood during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

July 10, 2013

A handwritten signature in cursive script that reads "Dietz, Donald & Company".

Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

DETAILED RECOMMENDATIONS

CITY OF EDGEWOOD
DETAILED RECOMMENDATIONS
For the Period July 1, 2012 through June 30, 2013

[A] Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - record keeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

[B] Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - The City should establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- [C] Tax Increment Financing - The City disbursed \$ 2,500 from the Special Revenue, Tax Increment Financing Fund to the Edgewood Board of Economic Development for its annual town center appropriation. However, the City Council resolution approving the appropriation states that this disbursement should come from the General Fund.

Recommendation - The City should transfer \$ 2,500 from the General Fund to the Special Revenue, Tax Increment Financing Fund.

- [D] Separately Maintained Records - The Ambulance and Trees Forever maintain accounts using the City's federal identification number. Although these accounts are included in the monthly treasurer's report, transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

If these accounts are not included in the City's records, these Organizations should ensure duties are segregated to the extent possible and detailed financial reports should be provided to the City Council on a monthly basis.